

Message Text

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C O N F I D E N T I A L JIDDA 1941

E.O. 11652: GDS
TAGS: PPDC, SA
SUBJECT: LETTER TO PRESIDENT CARTER FROM KING KHALID

1. THE FOLLOWING IS EMBASSY'S INFORMAL TRANSLATION OF LETTER
TO PRESIDENT CARTER FROM KING KHALID, RECEIVED BY EMBASSY
MARCH 13.

2. BEGIN TEXT:

HIS EXCELLENCY PRESIDENT JIMMY CARTER

PRESIDENT OF THE UNITED STATES

BEST GREETINGS:

WE WISH TO REFER TO THE MEETING WHICH WAS HELD BETWEEN
YOUR EXCELLENCY AND HIS ROYAL HIGHNESS PRINCE FAHD BIN
ABDUL AZIZ, CROWN PRINCE AND DEPUTY PRIME MINISTER, IN
RIYADH ON JANUARY 4, 1978 DURING YOUR VISIT TO THE KINGDOM.
WE REFER TO THE DISCUSSION HELD CONCERNING A NUMBER OF
IMPORTANT MATTERS CONNECTED TO BILATERAL RELATIONS BETWEEN
OUR TWO COUNTRIES, ESPECIALLY IN THE ECONOMIC FIELD. AMONG
THE SUBJECTS DISCUSSED WERE OIL PRICING POLICY, THE INVEST-
MENT OF THE CURRENCY RESERVES AND SURPLUS FUNDS OF THE
KINGDOM, THE ROLE OF THESE INVESTMENTS IN PRESERVING
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MONETARY BALANCE IN THE WORLD, THE FALL IN THE VALUE
OF THE AMERICAN DOLLAR AGAINST THE CURRENCIES OF A NUMBER
OF COUNTRIES, AND THE EFFECT OF THIS FALL ON THE ROLE WHICH
THE KINGDOM'S INVESTMENTS PLAY IN WORLD MARKETS AND ON THE
POLICY OF OIL PRICING. SINCE THE ABOVE-MENTIONED MEETING
THE VALUE OF THE DOLLAR HAS UNDERGONE AN EVER-INCREASING
DECLINE AGAINST THE PRINCIPLE WORLD CURRENCIES. THIS FALL

HAS HAD A SERIOUS EFFECT ON THE OIL-EXPORTING COUNTRIES AND HAS CREATED AN ATMOSPHERE CHARACTERIZED BY DISSATISFACTION. IT MAY HAVE A STRONG EFFECT ON THE PRICING POLICY FOLLOWED BY THESE COUNTRIES.

3. WE AFFIRM TO YOUR EXCELLENCY OUR UNDERSTANDING OF THE BASIC STRENGTH OF THE AMERICAN CURRENCY WHICH IS BASED ON A STRONG ECONOMY ENJOYING DEPTH AND FLEXIBILITY. LIKEWISE WE UNDERSTAND--BASED ON OUR ANALYSES AND EVALUATIONS OF THE CONDITION OF THE U.S. DOLLAR--THAT THE GREATER PART OF ITS FALL BASICALLY COMES FROM FACTORS OF SPECULATION AND OTHER PSYCHOLOGICAL FACTORS. NEVERTHELESS THIS FALL HAS RESULTED IN THE CREATION OF CONFUSION OF IDEAS WHETHER IN OUR COUNTRY OR IN OTHER OIL-EXPORTING COUNTRIES.

4. WE WOULD LIKE TO ADD THAT DURING THE MEETING WHICH WAS HELD BETWEEN THE AMERICAN SECRETARY OF THE TREASURY AND THE FINANCE MINISTER OF THE KINGDOM IN PARIS ON FEBRUARY 13, 1978, YOUR SECRETARY OF THE TREASURY EXPRESSED THE CONCERN OF THE UNITED STATES GOVERNMENT ABOUT THE WEAKNESS OF THE DOLLAR. IN THAT CONTEXT HE MENTIONED SOME MEASURES WHICH THE U.S. GOVERNMENT WAS TAKING TO REDUCE THE EXTREME FLUCTUATIONS IN ITS CURRENCY. DESPITE THAT, THE SITUATION HAS CONTINUED TO BE A SOURCE OF ANXIETY IN THE OIL EXPORTING COUNTRIES, AND WE FEEL THAT A TANGIBLE EFFORT ON THE PART OF YOUR GOVERNMENT AT THE

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PRESENT TIME AIMED AT STABILIZING THE DOLLAR WILL HELP PUT AN END TO THE PRESSURES WHICH HAVE BEGUN TO PILE UP TO MAKE MODIFICATIONS IN OIL PRICING POLICY.

5. YOUR EXCELLENCY REALIZES THAT OIL PRICING POLICY CRYSTALIZED AFTER DIFFICULT AND PROTRACTED DISCUSSIONS, WHICH HAD THE BASIC PURPOSE OF LIMITING AS FAR AS POSSIBLE, THE CREATION OF DISTURBANCES IN THE INTERNATIONAL ECONOMY. FOR THAT REASON IT IS NECESSARY THAT OUR EFFORTS BE DIRECTED TOWARD PROTECTING THIS POLICY--EFFORTS IN WHICH THE ENDEAVORS MADE BY YOUR GOVERNMENT TO STABILIZE THE VALUE OF THE AMERICAN DOLLAR WILL HAVE A GREAT ROLE.

6. PLEASE ACCEPT, YOUR EXCELLENCY, OUR BEST GREETINGS AND OUR SINCEREST WISHES. SIGNED, KHALID BIN ABDUL AZIZ AL SAUD. RIYADH, MARCH 12, 1978. END TEXT.

7. EMBASSY WILL SEND ORIGINAL TEXT AND TRANSLATION BY POUCH.

WILEY

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